

Chapter 3

Entrepreneurship Development: Relevance, Approaches and Issues

The quality of its entrepreneurs influences the economic destiny of a nation. It is the enterprise of a few in a society that helps change the economic growth profile and diversifies the economic base. Entrepreneurs not only establish businesses but also help create employment, increase outputs, improve technologies, and improve the quality of goods and services by bringing about changes in the production function. Lack of entrepreneurs is one of the principal constraints to development in poor nations. It is also true of hill regions; only much more so and with serious ramifications on both the economy and the environment. Growth of entrepreneurship is an essential prerequisite to employment generation. In the long term, such a growth in entrepreneurial spirit can act as a catalyst to growth in previously isolated societies.

In India, the economy in hill regions has been characterised by stagnation. The eco-

nomic base is limited, primarily confined to agriculture. It could be diversified successfully by developing the Non-Farm Sector (NFS). Rural industries are a possibility but the extent to which they would be successful depends upon the capability of entrepreneurs. The best way to establish such industries would be to develop local skills for this purpose.

3.1 The Government Approach

Poverty eradication and employment generation have been predominant issues in government planning since 1952 (the first five-year Plan). Recent five-year plans claim to be employment oriented. Many schemes promoting self-employment and small and micro-enterprises have been adopted. Important among them are the Integrated Rural Development Programme (IRDP), Training Rural Youth for Self Employment (TRYSEM), and Self-employment Scheme for Educated Unemployed

Youth (SEEUY); and the latter was merged in 1993 with the scheme known as the Prime Minister's *Rozgar Yojana* (PMRY)⁴.

The IRDP strategy is to support selected poor households in acquisition of productive assets by providing loans-cum-subsidies. The underlying rationale is that lack of ownership of productive assets results in poverty. Serious doubts have been raised about this approach. By and large it has been implemented without giving sufficient attention to differences in local conditions or variance in individual aspirations and capabilities.

For the impact of IRDP on poverty eradication see Rath (1985), Dantwala (1985), Hirway (1985), and Bagchee (1995). Other schemes, such as TRYSEM and SEEUY, have been assessed by Prasad (1988). Wide-ranging limitations are cited by these studies. Overall, the gains of IRDP have not benefitted the poorest of the poor (Hirway 1986). Moreover, although it has contributed to a rise in incomes of a substantial proportion of beneficiaries, many still live below the poverty line. For example, from a survey by the National Bank for Agriculture and Rural Development (NABARD), Rath (1985) estimated that hardly 18.7 per cent of the total beneficiaries had risen above the poverty line. He also calculated that, if repayments on loans and interest were adjusted against income, this proportion would go down considerably.

The Approach Paper to the Seventh Five-Year Plan reformulated the IRDP in terms of better integration with the rural economy, providing forward and backward linkages, and closer monitoring and tighter

organization than heretofore. The Government did not review its basic assumptions, however, and these are more critical as they are responsible for the failures of the 'direct attack' strategy of IDR (Hirway 1986). Badly conceived and misplaced emphasis on the basic assumptions were that people had entrepreneurial capabilities and that the bureaucracy was capable of delivering services to assist them. Entrepreneurship is not developed by giving the poor cash or a goat or a buffalo without other inputs. The idea that wage employment alone would solve the problem was rejected by economists who believed that such a strategy would lead to a dependency syndrome (Dantwala 1985). Gaikwad (1986, p33) observed such a dependency syndrome reference to *Sriniketan*, a voluntary organization.

To sum up, most of the government sponsored schemes for rural development and poverty alleviation were input-oriented (in terms of money) rather than output-oriented. Creation of income-generating enterprises for the rural poor drew scant attention.

3.2 Is it Possible to Create Entrepreneurs through Training?

The experiences of the Entrepreneurship Development Institute of India (EDI), Ahmedabad, and many other organizations demonstrate that (i) latent entrepreneurial potential (desire to be independent and do something better) is widespread irrespective of location, and (ii) this potential can be developed/strengthened with the help of well-designed, comprehensive training packages. In this respect, govern-

4 *Rozgar Yojana means Employment Plan/Scheme.*

ment schemes such as TRYSEM experienced limited success because they were geared towards developing/imparting technical skills only. Managerial skills and entrepreneurial attitudes also have to be inculcated (Prasad 1988).

Among the popular approaches to entrepreneurship development, the two main variants are based on (i) individual entrepreneurship and (ii) group entrepreneurship.

3.2.1 Individual Entrepreneurship

The individual entrepreneurship approach assumes that certain people have some amount of entrepreneurial spirit. Hence, individual potential should be encouraged. In sufficient numbers, these individual entrepreneurs will diversify the hill economy and in turn initiate others.

The entrepreneurship development approach deals with individual entrepreneurs, 25 to 30 at a time, and focusses on tapping and developing local entrepreneurial talents. It is not only viable but also replicable. It has been implemented in India through the EDI-EDP model. It was first used in Gujarat in 1970 and has since spread throughout the country by means of a network of state-level institutions and many voluntary organizations. Its initial urban/town orientation and lower-middle class thrust have been balanced by working with the rural poor. The training model, known as the Rural Entrepreneurship Development Programme (REDP), has been developed and tested across cultures for validation by the EDI. REDPs have three principal components, viz., imparting business-related knowledge, developing business skills, and changing behaviour and at-

titudes to a sufficient degree so that individuals are motivated for and capable of establishing and maintaining enterprises, creating jobs, and diversifying the economic base.

The REDP approach, however, does have certain limitations. At any given point (i.e., in one programme), it only has a small number of trainees. Given the magnitude and the need, the number trained is insufficient. In the implementation phase the capacity of a poor person to cope with a competitive market is limited; on an individual basis it is difficult to overcome the vested interests of the rural oligarchy. Thus, it is often argued that the only way to help the poor is through group empowerment (SAARC 1992).

3.2.2 Group Entrepreneurship

The concept of group entrepreneurship in India is associated with the seminal work of Bogaert and Das (1989). Their rationale for groups holding together was based on common bonds of location, occupation, and economic interest. Such groups undertake common productive activities and can market their products at favourable rates of return that provide a reasonable living on a sustained basis. A fully matured group is often difficult to form, hence, initially, local voluntary organizations can take care of the backward and forward linkages and provide strategic management support for a fee. Gradually, these skills and competencies can be passed on to the group members who subsequently take over from the voluntary organization; and its intervention, albeit necessary, is hence short term, avoiding dependency. One issue that arises concerns the very concept of entrepreneurship.

Power and responsibilities can lead to disputes regarding the tasks and jurisdiction of individual members, the group as a collective entity, and the voluntary organization. Hence, though the concept of group entrepreneurship seems attractive, it is not easy to implement. It requires clear conceptual and operational understanding

among individuals and organizations as well as a substantial degree of homogeneity and cohesiveness among group members. Instances in which voluntary organizations have been unwilling or unable to withdraw, or of a single member dominating the group, leading to dissonance and even dissolution of the group, are not uncommon.